

Hero MotoCorp | BUY

Strong demand outlook; HMCL to outperform

During 2QFY26, Hero MotoCorp's (HMCL) EBITDA margin stood at 15% (+50 bps YoY, +60 bps QoQ), 30 bps above JMFe. The ICE business reported a margin of 17.7% in 2Q compared to 16.5% in 2QFY25. Realisations grew c.4% YoY (+2.4% QoQ), primarily driven by a favourable mix and pricing. Management indicated that demand post-festive season remains strong, with inventory at its lowest in recent years and receivables reduced to 12 days from 30 days earlier, reflecting buoyancy in the market. HMCL expects the domestic 2W industry to grow by 8–10% in 2HFY26, supported by GST rate cuts, a pickup in first-time buyers, rural recovery, a healthy monsoon, RBI rate cuts, income tax reductions, and lower inflation. Management believes HMCL will outperform the industry in both domestic and export segments, driven by recent and upcoming product launches and expansion into new geographies. The company has maintained its long-term EBITDA margin guidance at 14–16%. We are revising our estimates upwards, driven by launches (both in ICE and EVs) and improved operating efficiency. Volume estimates for FY26E/FY27E have been raised by 0.3%/3% respectively. Consequently, EPS estimates have been revised upward by 1.6%/4.8%. We roll forward and apply a 19x PE multiple (versus 17x earlier) on average FY27E/28E EPS to arrive at a TP of INR 6,650. We maintain BUY.

- 2QFY26 - margin above JMFe:** HMCL reported net sales of INR 121.3 bn (+15.9% YoY, +26.6% QoQ), in line with JMFe. Volumes during 2Q grew 11.3% YoY (+23.7% QoQ) to c. 1.69 mn units. Realisations improved by 4.2% YoY (+2.4% QoQ), primarily driven by a favourable mix and pricing. EBITDA stood at INR 18.2 bn (+20.3% YoY, +32% QoQ), 2.9% above JMFe. EBITDA margin was 15% (+50 bps YoY, +60 bps QoQ), beating JMFe estimates by 30 bps. PAT came in at INR 13.9 bn (+15.7% YoY, +23.7% QoQ), 2% below JMFe. Spares revenue stood at INR 15.3 bn (+5% YoY), accounting for approximately 13% of revenue during 2Q.
- Market share performance:** Management highlighted that HMCL maintained its leadership position in retail sales, with Vahan market share at 31.6% in Oct'25 (+370 bps YoY). During the festive season (23rd Aug'25 to 12th Nov'25), HMCL's ICE Vahan registrations grew 16.2%, outpacing industry growth of 14.7% and driving a 40 bps market share gain. This was led by strong traction in the entry segment (MS expanded 300 bps in 2Q), as well as the deluxe and scooter categories. Recent launches, Destiny 125 and Xoom 125, helped HMCL capture approximately 10% share in the 125cc segment, largely from strong scooter markets such as Kerala, Karnataka, Maharashtra, and Gujarat. Management remains confident of building on this momentum with the upcoming launch of Xoom 160, a premium scooter.
- Demand outlook:** Management indicated that demand has sustained post-festive season, supported by GST rate cuts, an influx of first-time buyers, and strong traction for newly launched products. The company currently holds its lowest inventory levels in recent years, corroborating robust demand. Moreover, receivables have declined to 12 days from 30 days earlier, reflecting market buoyancy. Management expects the domestic 2W industry to grow by 8–10% in 2HFY26, driven by positive sentiment from GST rate cuts, first-time buyer additions, rural recovery aided by a healthy monsoon, income tax reductions, and lower inflation. HMCL is expected to outperform the industry, leveraging its deep presence in the entry-level segment, which is witnessing strong demand, along with recent product launches.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	6,650
Upside/(Downside)	20.1%
Previous Price Target	5,250
Change	26.7%

Key Data – HMCL IN

Current Market Price	INR5,539
Market cap (bn)	INR1,108.1/US\$12.5
Free Float	57%
Shares in issue (mn)	199.7
Diluted share (mn)	200.0
3-mon avg daily val (mn)	INR4,855.5/US\$54.7
52-week range	5,717/3,323
Sensex/Nifty	84,563/25,910
INR/US\$	88.7

Price Performance

%	1M	6M	12M
Absolute	-0.6	36.2	20.3
Relative*	-3.6	31.0	10.4

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	3,74,557	4,07,564	4,60,406	5,26,136	6,00,236
Sales Growth	10.8%	8.8%	13.0%	14.3%	14.1%
EBITDA	52,557	58,677	68,163	81,297	94,419
EBITDA Margin	14.0%	14.4%	14.8%	15.5%	15.7%
Adjusted Net Profit	41,280	46,100	53,803	64,467	75,207
Diluted EPS (INR)	206.5	230.5	269.0	322.3	376.0
Diluted EPS Growth	41.8%	11.6%	16.7%	19.8%	16.7%
ROIC	69.7%	83.9%	104.5%	138.0%	161.6%
ROE	23.8%	24.4%	25.8%	27.5%	27.7%
P/E (x)	26.8	24.0	20.6	17.2	14.7
P/B (x)	6.2	5.6	5.1	4.4	3.8
EV/EBITDA (x)	20.2	17.7	14.9	12.2	10.1
Dividend Yield	2.5%	3.0%	3.0%	3.0%	3.0%

Source: Company data, JM Financial. Note: Valuations as of 14/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

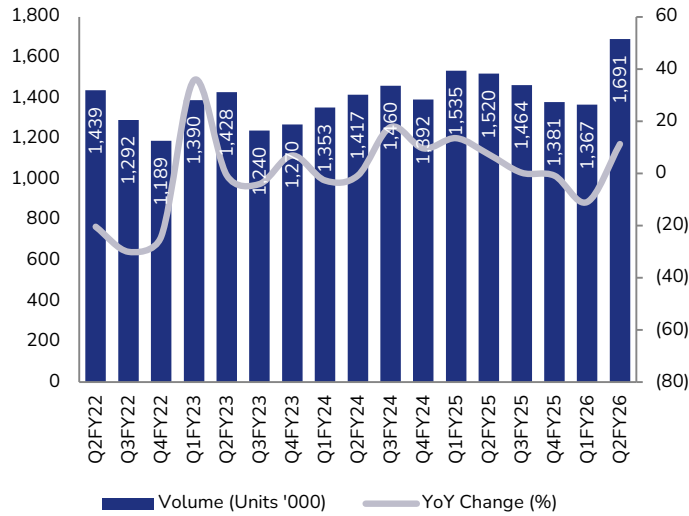
- **Performance in export markets:** Export dispatches grew 77% YoY in 2Q, which is 3x the industry growth, driven by strong performance in Bangladesh, Sri Lanka, Nepal, and Colombia. The premium portfolio now accounts for over 40% of HMCL's exports. The company also marked its entry into Europe and the UK, expanding its presence to 52 countries. HMCL's share in exports expanded by 250 bps to 8.6%.
- **Update on EV business:** HMCL exited 2Q with approximately 11.7% market share in the E2W segment compared to 6.8% in 2QFY25, driven by brand-building initiatives and the launch of VIDA VX2. Management indicated that the current focus is on investments in new products and brand building. Profitability is expected to be supported by volume ramp-up, localization efforts, price interventions, and PLI benefits. The company received PLI certification for the VIDA V2 Pro in July 2025 and is working on approvals for other models.
- **Outlook on profitability:** During 2Q, EBITDA margin expanded by 50 bps YoY to 15% (+60 bps QoQ). The ICE business EBITDA margin improved by 120 bps YoY to 17.7%, supported by a favourable product mix, price increases, and cost optimization efforts. The company indicated that it will continue investing in the EV business. Overall, higher operating leverage and a continued focus on cost-saving measures are expected to support margin performance. Long-term margin guidance remains intact at 14–16%.
- **Other highlights:** 1) 2W financing penetration remained stable and is expected to stay at similar levels in 2HFY26. 2) Investment in the EV business stood at INR 2.52 bn in 2Q. 3) Advertising spends increased by 10% in 1HFY26, while overall customer-related spending remained unchanged, indicating slightly lower discounts.

Exhibit 1. Quarterly financial results

INR Mn	2QFY26	2QFY25	% YoY	1QFY26	% QoQ	2QFY26E	% A/E
Operating metrics							
Total Volumes (Units)	1,690,702	1,519,684	11.3	1,367,070	23.7	1,690,702	0.0
Average Realisation (Net, INR)	71,724	68,851	4.2	70,069	2.4	71,120	0.8
Financial metrics (INR mn)							
Sales	121,264	104,632	15.9	95,789	26.6	120,242	0.8
Cost of Goods Sold	80,939	69,795	16.0	63,904	26.7	80,519	0.5
As a % of sales	66.7	66.7	4bps	66.7	3bps	67.0	-22bps
Staff Cost	6,981	6,535	6.8	6,260	11.5	6,886	1.4
As a % of sales	5.8	6.2	-49bps	6.5	-78bps	5.7	3bps
Other expenses	15,109	13,143	15.0	11,808	28.0	15,114	0.0
As a % of sales	12.5	12.6	-10bps	12.3	13bps	12.6	-11bps
EBITDA	18,234	15,159	20.3	13,817	32.0	17,723	2.9
EBITDA Margin	15.0	14.5	55bps	14.4	61bps	14.7	30bps
Other Income	2,328	2,830	-17.7	3,037	-23.3	3,100	-24.9
Interest	57	49	14.6	56	0.7	60	-5.8
Depreciation	1,970	1,937	1.7	1,928	2.2	1,930	2.0
Extraordinary	0	0	NA	0	NA	0	NA
PBT	18,537	16,003	15.8	14,870	24.7	18,833	-1.6
Tax	4,609	3,967	16.2	3,613	27.6	4,614	-0.1
Tax rate (%)	24.9	24.8	7bps	24.3	56bps	24.5	36bps
PAT (Adjusted)	13,928	12,035	15.7	11,257	23.7	14,219	-2.0
PAT Margin	11.5	11.5	-2bps	11.8	-27bps	11.8	-34bps
EPS	69.6	60.2	15.6	56.3	23.7	71.1	-2.0

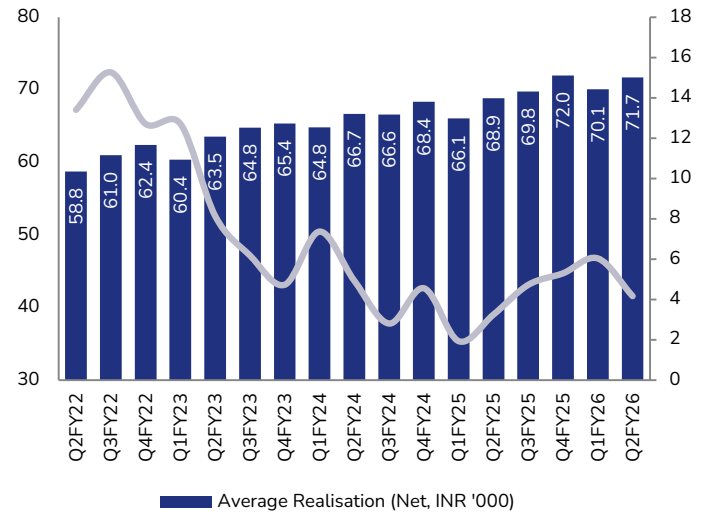
Source: Company, JM Financial

Exhibit 2. Volumes grew c.11% YoY (24% QoQ)



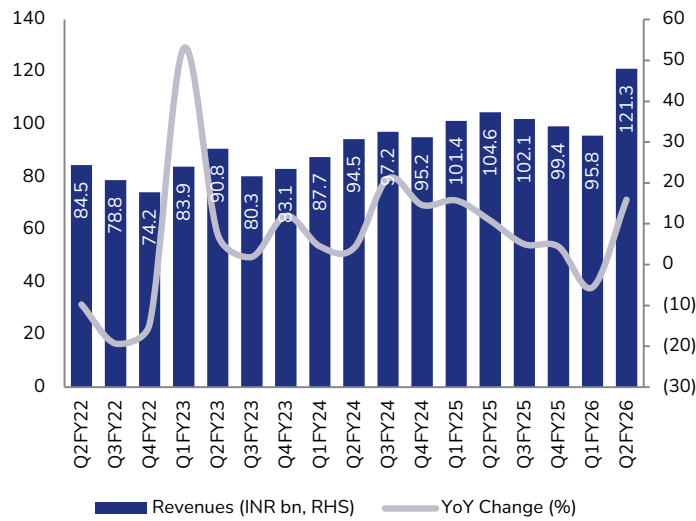
Source: Company, JM Financial

Exhibit 3. Realisation improved c.4% YoY (c.+2% QoQ)



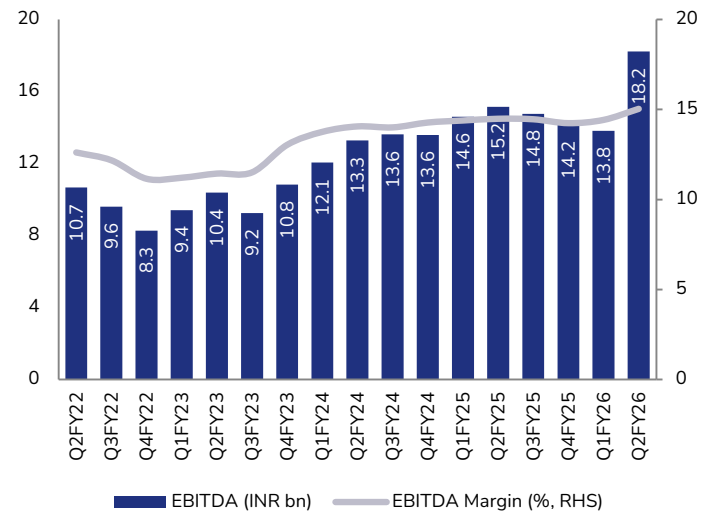
Source: Company, JM Financial

Exhibit 4. Revenue grew c.16% YoY (+27% QoQ)



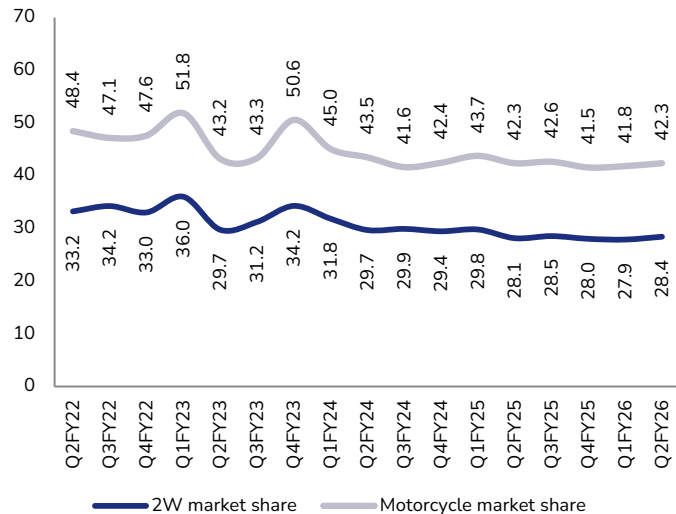
Source: Company, JM Financial

Exhibit 5. EBITDA margin expanded 50bps YoY (+60bps QoQ)



Source: Company, JM Financial

Exhibit 6. Market share trend



Source: Company, SIAM, JM Financial

Exhibit 7. 1yr fwd. PE chart



Source: Bloomberg, JM Financial

Exhibit 8. HMCL – change in assumptions

Particulars	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	407,564	460,406	526,136	407,564	459,232	508,800	0.0%	0.3%	3.4%
Volume (mn units)	5.9	6.3	7.0	5.9	6.3	6.8	0.0%	0.3%	3.1%
EBITDA (INR mn)	4.9%	7.2%	11.1%	4.9%	7.0%	8.0%			
EBITDAM (%)	58,677	68,163	81,297	58,677	67,048	77,412	0.0%	1.7%	5.0%
PAT (INR mn)	14.4%	14.8%	15.5%	14.4%	14.6%	15.2%	-	20bps	24bps
EPS (INR)	46,100	53,803	64,467	46,100	52,961	61,515	0.0%	1.6%	4.8%

Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	3,74,557	4,07,564	4,60,406	5,26,136	6,00,236	
Sales Growth	10.8%	8.8%	13.0%	14.3%	14.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,74,557	4,07,564	4,60,406	5,26,136	6,00,236	
Cost of Goods Sold	2,54,308	2,70,687	3,04,794	3,47,770	3,96,457	
Personnel Cost	24,023	25,952	28,932	32,114	36,610	
Other Expenses	43,669	52,248	58,518	64,954	72,749	
EBITDA	52,557	58,677	68,163	81,297	94,419	
EBITDA Margin	14.0%	14.4%	14.8%	15.5%	15.7%	
EBITDA Growth	31.8%	11.6%	16.2%	19.3%	16.1%	
Deprn. & Amort.	7,114	7,759	8,250	8,751	9,272	
EBIT	45,443	50,918	59,913	72,546	85,147	
Other Income	8,926	10,559	11,569	13,061	14,685	
Finance Cost	185	199	220	220	220	
PBT before Excep. & Forex	54,184	61,278	71,262	85,387	99,612	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	54,184	61,278	71,262	85,387	99,612	
Taxes	12,904	15,179	17,459	20,920	24,405	
Extraordinary Inc./Loss(-)	-1,600	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	39,680	46,100	53,803	64,467	75,207	
Adjusted Net Profit	41,280	46,100	53,803	64,467	75,207	
Net Margin	11.0%	11.3%	11.7%	12.3%	12.5%	
Diluted Share Cap. (mn)	200	200	200	200	200	
Diluted EPS (Symbole)	206.5	230.5	269.0	322.3	376.0	
Diluted EPS Growth	41.8%	11.6%	16.7%	19.8%	16.7%	
Total Dividend + Tax	27,986	33,000	33,000	33,000	33,000	
Dividend Per Share (₹)	140.0	165.0	165.0	165.0	165.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	54,184	61,278	71,262	85,387	99,612	
Deprn. & Amort.	7,114	7,759	8,250	8,751	9,272	
Net Interest Exp. / Inc. (-)	185	199	220	220	220	
Inc (-) / Dec in WCap.	11,367	-2,739	10,253	2,074	2,582	
Others	0	0	0	0	0	
Taxes Paid	-12,904	-15,179	-17,459	-20,920	-24,405	
Operating Cash Flow	59,946	51,319	72,526	75,512	87,281	
Capex	-8,007	-8,552	-10,922	-11,250	-11,587	
Free Cash Flow	51,938	42,767	61,604	64,263	75,694	
Inc (-) / Dec in Investments	-20,757	-18,235	-17,500	-17,500	-17,500	
Others	-185	-199	-220	-220	-220	
Investing Cash Flow	-28,950	-26,986	-28,642	-28,970	-29,307	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-27,986	-33,000	-33,000	-33,000	-33,000	
Inc / Dec (-) in Loans	-187	255	0	0	0	
Others	-188	5,855	0	0	0	
Financing Cash Flow	-28,361	-26,890	-33,000	-33,000	-33,000	
Inc / Dec (-) in Cash	2,634	-2,558	10,884	13,543	24,974	
Opening Cash Balance	3,455	6,089	3,532	14,415	27,958	
Closing Cash Balance	6,089	3,531	14,415	27,958	52,931	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders' Fund	1,79,862	1,98,069	2,18,871	2,50,338	2,92,545	
Share Capital	400	400	400	400	400	
Reserves & Surplus	1,79,462	1,97,669	2,18,471	2,49,938	2,92,145	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1,376	1,631	1,631	1,631	1,631	
Def. Tax Liab. / Assets (-)	4,348	5,096	5,096	5,096	5,096	
Total - Equity & Liab.	1,85,586	2,04,795	2,25,598	2,57,065	2,99,272	
Net Fixed Assets	63,145	63,939	66,611	69,110	71,425	
Gross Fixed Assets	1,61,882	1,70,315	1,80,739	1,91,661	2,02,911	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	1,03,542	1,11,301	1,19,550	1,28,302	1,37,574	
Capital WIP	4,805	4,925	5,422	5,750	6,087	
Investments	1,30,861	1,49,096	1,66,596	1,84,096	2,01,596	
Current Assets	61,709	66,166	77,113	98,847	1,33,012	
Inventories	14,438	14,576	18,921	21,622	24,667	
Sundry Debtors	27,034	36,744	31,535	36,037	41,112	
Cash & Bank Balances	6,089	3,532	14,415	27,958	52,931	
Loans & Advances	2,346	979	1,081	1,176	1,282	
Other Current Assets	11,802	10,335	11,162	12,055	13,019	
Current Liab. & Prov.	70,130	74,406	84,722	94,988	1,06,761	
Current Liabilities	55,282	55,661	64,478	73,124	83,148	
Provisions & Others	14,848	18,745	20,244	21,864	23,613	
Net Current Assets	-8,421	-8,240	-7,609	3,860	26,252	
Total - Assets	1,85,586	2,04,795	2,25,598	2,57,065	2,99,272	

Source: Company, JM Financial

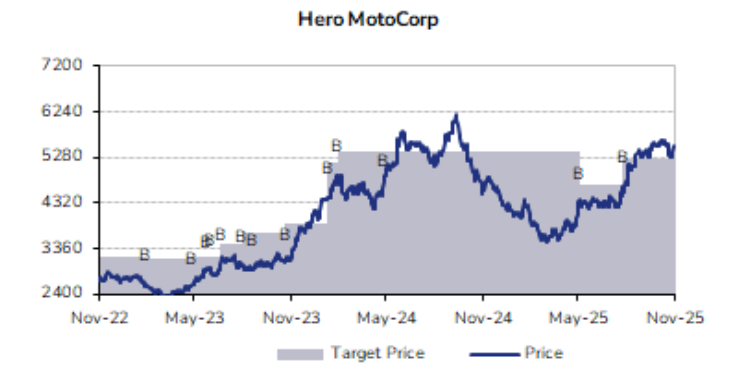
Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin	11.0%	11.3%	11.7%	12.3%	12.5%	
Asset Turnover (x)	2.1	2.1	2.2	2.2	2.2	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	23.8%	24.4%	25.8%	27.5%	27.7%	
Key Ratios						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (₹)	899.8	990.3	1,094.4	1,251.7	1,462.7	
ROIC	69.7%	83.9%	104.5%	138.0%	161.6%	
ROE	23.8%	24.4%	25.8%	27.5%	27.7%	
Net Debt/Equity (x)	-0.3	-0.3	-0.4	-0.5	-0.5	
P/E (x)	26.8	24.0	20.6	17.2	14.7	
P/B (x)	6.2	5.6	5.1	4.4	3.8	
EV/EBITDA (x)	20.2	17.7	14.9	12.2	10.1	
EV/Sales (x)	2.8	2.6	2.2	1.9	1.6	
Debtor days	26	33	25	25	25	
Inventory days	14	13	15	15	15	
Creditor days	63	58	60	60	60	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Aug-21	Buy	3,600	
14-Nov-21	Buy	3,600	0.0
13-Feb-22	Buy	3,600	0.0
4-May-22	Buy	3,200	-11.1
14-Aug-22	Buy	3,200	0.0
9-Oct-22	Buy	3,200	0.0
4-Nov-22	Buy	3,200	0.0
8-Feb-23	Buy	3,150	-1.6
7-May-23	Buy	3,200	1.6
5-Jun-23	Buy	3,200	0.0
12-Jun-23	Buy	3,200	0.0
4-Jul-23	Buy	3,450	7.8
13-Aug-23	Buy	3,700	7.2
31-Aug-23	Buy	3,700	0.0
2-Nov-23	Buy	3,900	5.4
24-Jan-24	Buy	5,150	32.1
11-Feb-24	Buy	5,400	4.9
8-May-24	Buy	5,400	0.0
15-May-25	Buy	4,700	-13.0
7-Aug-25	Buy	5,250	11.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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